

Message Text

CONFIDENTIAL

PAGE 01 PRAGUE 00074 01 OF 02 071234Z

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W

-----071240Z 102867 /43

R 071120Z JAN 77

FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC 1803

C O N F I D E N T I A L SECTION 1 OF 2 PRAGUE 0074

EXDIS

E.O. 11652: GDS

TAGS: PFOR, EFIN, CZ

SUBJECT: CLAIMS/GMD

REF: PRAGUE 3518

1. SUMMARY: WE PROPOSE SOME NEXT STEPS IN MOVING TOWARD
RENEGOTIATION OF THE CLAIMS/GOLD ISSUE. END SUMMARY.

2. WITH THE ENDING OF TRAVEL RESTRICTIONS ON OFFICIAL PERSONNEL,
ACHIEVEMENT OF AN AD REFERENDUM AGREED TEXT OF A CULTURAL/SCIENTIFIC
EXCHANGES AGREEMENT, THE IMMINENT (GOC TO BE NOTIFIED AT APPROPRIATE
TIME OF OUR CHOOSING) REDUCTION OF ADVANCE APPROVAL REQUIREMENT FOR
CZECHOSLOVAK SHIPS TO ENTER U.S. PORTS AND PROGRESS ON RENEWING
OUR BILATERAL AIR TRANSPORT AGREEMENT, WE HAVE COMPLETED ALL THE
AVAILABLE MINOR STEPS IN IMPROVING US-CSSR RELATIONS. WE HAVE
ALSO SEEN SOME SMALL PROGRESS ON REUNITING FAMILIES, OFFICIAL CONTACT
S
AND CULTURAL PROGRAM AND EXCHANGES. OUR ATTENTION NOW MUST TURN
AGAIN TO THE MAJOR NON-IDEOLOGICAL OBSTACLE TO MORE NORMAL RELATIONS-
-
CLAIMS/GOLD AND ITS ASSOCIATED ISSUES.

3. MR. DAVID SCOTT'S INTERMEDIATION HAS NOT SUCCEEDED IN RESOLVING
THIS PROBLEM, BUT IT HAS BEEN VERY USEFUL IN BRINGING THE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PRAGUE 00074 01 OF 02 071234Z

GOC AROUND TO EVALUATING THE CURRENT U.S. POSITION REALISTICALLY.
IN THE PAST SEVERAL MONTHS CZECHOSLOVAK OFFICIALS HAVE GRADUALLY
MOVED FROM THE POSITION THAT RENEGOTIATION WOULD BE INADMISSIBLE,
TO SAYING CHANGES IN "MODALITIES" MIGHT BE POSSIBLE, TO FOREIGN
MINISTER CHNOUPEK'S FLAT STATEMENT (REFTEL) OF READINESS TO
START "RENEGOTIATION".

4. OVER TWO FULL YEARS HAVE NOW ELAPSED SINCE ENACTMENT OF SECTION 408 OF THE TRADE ACT REQUIRED THAT THE 1974 AGREEMENT BE RENEGOTIATED. TWO NEW CONGRESSES (94TH AND 95TH) HAVE SINCE CONVENED IN WASHINGTON, AND A NEW ADMINISTRATION WILL TAKE OFFICE SHORTLY. DURING THE PAST TWO YEARS, THE GOC HAS MANIFESTED SOME DEGREE OF UNDERSTANDING THAT POLITICAL REALITIES WOULD REQUIRE A DELAY BEFORE THE USG COULD SORT OUT ITS POSITION. ALTHOUGH GOC INTERPRETED SCOTT APPROACH AS AT LEAST SEMI-OFFICIAL DESPITE OUR REPEATED DISCLAIMERS, THEY NOW FULLY EXPECT AN OFFICIAL USG PROPOSAL WITH THE ADVENT OF A NEW ADMINISTRATION. UNLESS THE USG TAKES SOME INITIATIVE SOON TO RENEW GOVERNMENT-TO-GOVERNMENT DISCUSSIONS ON CLAIMS/GOLD, HOWEVER WE CAN EXPECT OUR GRADUALLY IMPROVING BILATERAL RELATIONS TO TAKE A TURN FOR THE WORSE. FOR EXAMPLE, WITHOUT SOME POSITIVE STEP BY THE US SIDE, THE SECONDARY PLENARY MEETING OF THE CZECHOSLOVAK-US ECONOMIC COUNCIL SCHEDULED FOR NEXT FALL IN WASHINGTON IS LIKELY TO BE A FAILURE AND WE CAN EXPECT A NEW CLAMP-DOWN ON ACCESS TO OFFICIALS AND ON CULTURAL ARRANGEMENTS.

5. AS THE DEPARTMENT IS AWARE FROM OUR CABLES AND MEMCONS, I HAVE SOUGHT IN MY CALLS ON HIGH OFFICIALS HERE TTO MAKE THEM CLEARLY UNDERSTAND THAT NO CONGRESSIONALLY ACCEPTABLE SETTLEMENT IS POSSIBLE AT A FIGURE LESS THAN 50 CENTS ON THE DOLLAR AND POINTED OUT THAT SOME SETTLEMENTS THE USG HAS REACHED WERE FOR A MUCH HIGHER FIGURE. I HAVE STRESSED THAT THE GOC WOULD HAVE BEEN ACTING IN ITS BEST INTERESTS IF IT HAD QUICKLY AGREED TO THAT FIGURE WHEN IT WAS PROPOSED BY SCOTT.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 PRAGUE 00074 01 OF 02 071234Z

6. WITH THE SCOTT PHASE NOW APPARENTLY OVER AND WITH MR. SCOTT HAVING RESIGNED AS CHAIRMAN OF THE COUNCIL'S U.S. SECTION, WE SHOULD RENEW DIRECT CONSULTATIONS WITH KEY MEMBERS OF CONGRESS AS SOON AS THE NEW ADMINISTRATION DETERMINES THAT WE CAN MOVE FORWARD.

7. SPECIFICALLY, WE SHOULD SEEK TO PERSUADE SENATOR LONG, SENATOR GRAVEL AND ROBERT BEST OF THE SENATE FINANCE COMMITTEE STAFF, TO STAND BY THE SCOTT FORMULA, WHICH THE SENATORS EARLIER ENDORSED. IN ADDITION, WE SHOULD TRY TO BRIEF CERTAIN OTHER MEMBERS OF CONGRESS (E.G., MEMBERS OF THE FOREIGN RELATIONS COMMITTEES IN BOTH HOUSES) ABOUT THE CURRENT STATUS OF THIS ISSUE. IN ALL OUR CONGRESSIONAL CONTACTS, WE SHOULD STRIVE FOR A CLEAR MUTUAL UNDERSTANDING OF EXACTLY WHAT FIGURES WE ARE TALKING ABOUT. IN ADDITION TO ITS OWN ACTIVITIES, THE DEPARTMENT MAY WANT TO MAKE USE OF MY PLANNED PRESENCE IN WASHINGTON ON CONSULTATIONS IN FEBRUARY OR EARLY MARCH.

8. ONCE WE HAVE A FIRM INDICATION OF SUPPORT FROM SENATORS LONG AND GRAVEL AND HOPEFULLY OTHERS, THE INTERESTED OFFICES IN THE

GOVERNMENT AND ELSEWHERE SHOULD PROMPTLY AGREE ON THE SPECIFICS OF A NEW NEGOTIATING PACKAGE, HOPEFULLY DURING MY FORTHCOMING WASHINGTON CONSULTATIONS (SEE PARAS 9 AND 10.) IN DRAWING UP SUCH A PACKAGE, WE SHOULD FOCUS CLOSELY ON THE ISSUE OF COMPENSATION AND AVOID REOPENING THE WHOLE RANGE OF ISSUES DEALT WITH IN THE 1974 TEXT. (CERTAINLY OUR NEGOTIATING POSITION SHOULD CONTINUE TO SEPARATE CLAIMS/GOLD FROM THE RELATED BUT SEPARATE ISSUES OF MFN AND EX-IM BANK CREDITS, A POINT WE HAVE UNCEASINGLY EMPHASIZED TO THE GOC. HOWEVER, WITHOUT AN INDICATION OF A POSITIVE ADMINISTRATION MFN POSITION, NEGOTIATIONS WILL BE EXTREMELY DIFFICULT.) ONCE THE NEW ADMINISTRATION HAS BEEN ABLE TO REVIEW THE CLAIMS/GOLD ISSUE IN LIGHT OF THESE CONGRESSIONAL SOUNDINGS, WE HOPE THAT A NEW CIRCULAR 175 AUTHORIZATION TO NEGOTIATE WILL BE SPEEDILY APPROVED.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 PRAGUE 00074 02 OF 02 071249Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----071250Z 102995 /43
R 071120Z JAN 77
FM AMEMBASSY PRAGUE
TO SECSTATE WASHDC 1804

C O N F I D E N T I A L SECTION 2 OF 2 PRAGUE 0074

EXDIS

9. THERE ARE ROUGHLY THREE ALTERNATIVES WHICH WE SHOULD CONSIDER IN DETERMINING OUR NEGOTIATING POSITION ON THE LEVEL OF COMPENSATION:

(A) \$32 MILLION: THIS IS THE FIGURE SENATOR LONG "RELUCTANTLY" AGREED TO SUPPORT IN HIS DISCUSSIONS WITH MR. SCOTT. IT EQUATES TO 50 PERCENT OF THE CLAIMS, ALTHOUGH WE SHOULD AVOID ARGUMENTS ON PERCENTAGE EQUIVALENTS, WHICH HAVE CAUSED CONSIDERABLE DISAGREEMENT ON THE U.S. SIDE IN THE PAST. THE GOC TURNED DOWN THIS FIGURE WHEN SCOTT TOLD THEM IT WAS SENATOR LONG'S MINIMUM FOR SETTLEMENT, BUT AS MENTIONED, I HAVE CONTINUED TO TELL THE CZECHOSLOVAKS THAT CONGRESS WILL NOT BUY ANY LOWER SUM.

(B) ABOVE \$32 MILLION; WHILE SUCH A FIGURE WOULD PLEASE THE CLAIMANTS AND THE CONGRESS, IT IS NOT A REALISTIC BASIS FOR ACTUAL SETTLEMENT SINCE THE GOC KNOWS FROM SCOTT'S EFFORTS THAT,

IN 1976 AT LEAST, CONGRESSIONAL LEADERS WOULD HAVE SETTLED FOR \$32 MILLION. IT IS UNFORTUNATE THAT SCOTT DID NOT OPEN WITH A HIGHER BID TO ALLOW HIMSELF TO BE BARGAINED DOWN TO \$32 MILLION. WE MIGHT TRY THAT TACTIC NOW, SAYING THAT CONGRESSIONAL ATTITUDES HAVE HARDENED SINCE THE FAILURE OF SCOTT'S DISCUSSIONS, BUT I THINK THE GOC IS MOST UNLIKELY EVER TO GO ABOVE \$32 MILLION WHEN IT WOULD ONLY AGREE TO \$20.5 MILLION IN 1974.

(C) BETWEEN \$20.5 AND \$32 MILLION: OBVIOUSLY THIS WOULD BE CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PRAGUE 00074 02 OF 02 071249Z

EASIER TO SELL TO THE GOC, BUT IT IS A VERY DOUBTFUL THAT SENATORS LONG AND GRAVEL WOULD ACCEPT IT OR THAT THE CONGRESS AS A WHOLE WOULD OVERRULE THEIR OBJECTIONS TO A LOWER FIGURE. BY STRETCHING OUT THE PAYMENT PERIOD, OF COURSE, THE PRESENT VALUE OF THE TOTAL SETTLEMENT COULD BE REDUCED BELOW THENOMINAL VALUE. HOWEVER, CONGRESSIONAL LEADERS ARE LIKELY TO OPPOSE EXCESSIVE USE OF SUCH COSMETIC DEVICES.

10. THE MODALITIES OF PAYMENT WILL BE INEXTRICABLY INVOLVED WITH THE AMOUNT OF COMPENSATION IN ANY NEGOTIATIONS. THUS, THE USG WILL TEND TO FAVOR AN IMMEDIATE LUMP SUM SETTLEMENT AND THE GOC A PROTRACTED PAYMENT PERIOD, PERHAPS TIED TO OTHER CONDITIONS. ANY ATTEMPT TO PHASE THE RETURN OF THE MONETARY GOLD HELD BY THE TRIPARTITE GOLD COMMISSION WITH THE PAYMENT OF THE CLAIMS WOULD BE UNWORKABLE BECAUSE OF THE COMPLEXITIES INVOLVED AND THE ATTITUDES OF OUR TGC PARTNERS, FRANCE AND THE UK. THE GOC IS LIKELY TO RESIST FIERCELY ANY SUCH LINKAGE.

11. ONCE OUR OWN POSITION IS FORMULATED, WITH A STRONG INDICATION OF CONGRESSIONAL SUPPORT, WE WOULD BE READY TO SOUND OUT THE FOREIGN MINISTRY ON ITS READINESS TO PROCEED AND SUBSEQUENTLY TO PROPOSE FORMALLY THE REOPENING OF NEGOTIATIONS. SINCE IT SEEMS CERTAIN THAT THE GOC WILL ATTEMPT TO USE CLAIMS/GOLD, AS WELL AS MFN AND RELATED TRADE TOPICS, AGAINST US AT THE BELGRADE CSCE REVIEW CONFERENCE, I WOULD HOPE WE CAN REOPEN NEGOTIATIONS BEFORE THAT EVENT STARTS, POSSIBLY AS EARLY AS THE FIRST WEEK OF APRIL.

12. WE SHOULD RESERVE DISCUSSION OF NEGOTIATING TACTICS UNTIL WE ARE NEARER TO ACTUAL NEGOTIATIONS.

13. WE DO NOT BELIEVE THAT FINAL RESOLUTION OF CLAIMS/GOLD WILL RESULT IN A MILLENIUM IN US-CZECHOSLOVAK RELATIONS. WITHOUT IT ANY SOUND LASTING IMPROVED RELATIONSHIP WILL BE IMPOSSIBLE. WE FURTHER BELIEVE IT IMPORTANT TO MOVE FORWARD
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 PRAGUE 00074 02 OF 02 071249Z

TOWARD RESOULTION TO ERASE THIS LONGSTANDING AND VEXATIOUS
PROBLEM FROM THE BOOKS, TO END THE LONG WAIT OF THE AMERICAN
CITIZEN CLAIMANTS, AND TO HAVE IT CLEARLY ON THE RECORD THAT THE
USG RECOGNIZES AND IS ACTIVELY ATTEMPTING TO CARRY OUT ITS
RESPONSIBILITIES ON THIS ISSUE.

BYRNE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CLAIMS, GOLD, MEETING AGENDA, DIPLOMATIC DISCUSSIONS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 07-Jan-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977PRAGUE00074
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770006-1331
Format: TEL
From: PRAGUE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770171/aaaackfc.tel
Line Count: 233
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d79030dc-c288-dd11-92da-001cc4696bcc
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 77 PRAGUE 3518
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 14-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3644282
Secure: OPEN
Status: NATIVE
Subject: CLAIMS/GMD
TAGS: PFOR, EFIN, CZ, US
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/d79030dc-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009